

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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Last July we devoted the *Idaho Outlook* to a review of the state's Gross State Product (GSP). In that issue we used U.S. Bureau of Economic Analysis' data to develop each industry's share of the state's total output. Nearly a year later we return to the subject of Idaho's GSP. However, this time we look to the future, well into the future. Thanks to the recent release of Global Insight's long-term economic forecast, we are able to calculate each industry's current and future output shares. This analysis provides insights into how the Gem State's economy is expected to change over the next three decades.

In order to minimize the influences of business cycles on our results, we will use five-year averages for the initial and terminal points of our analysis. Comparing GSP from 2001-2005 to its 2031-2035

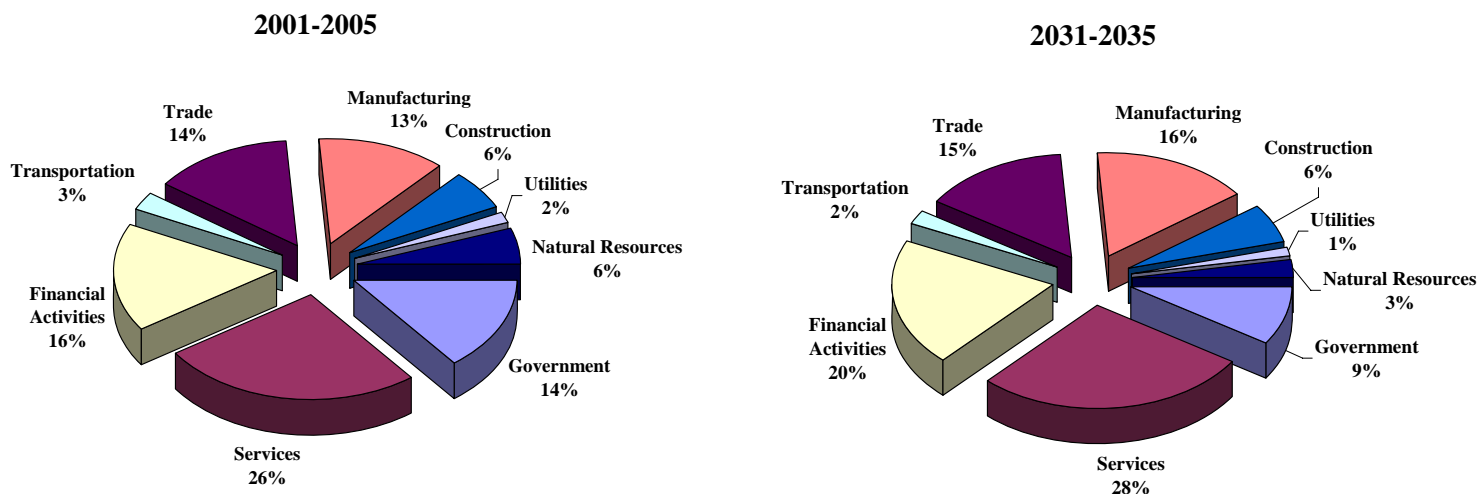
counterpart shows the state's nominal output is expected to expand to five times its current size, from \$40.3 billion to \$206.1 billion. Of course, rising prices account for some of this increase. Adjusting these numbers for inflation, output goes from \$38.3 billion to \$114.0 billion, still a threefold increase.

Idaho economic output benefits from increases in all of its industrial sectors. However, each industry's output will increase at its own pace. As a result, Idaho's economic makeup is reshuffled over the next 30 years. For example, the huge services category's share of output increases from 26% to 28%. This is consistent with its national counterpart. Interestingly, the Idaho manufacturing category bucks national trends by expanding over the next three decades. This probably reflects Idaho's industry

mix which is dominated by the high-tech sector. Two additional sectors' shares also expand over the next 30 years. The financial activities sector's share rises from 16% to 20% and the trade sector's share increases from 14% to 15%.

Being a zero-sum game, these share increases come at the expense of other sectors. For example, the natural resources sector's slice of the economic pie shrinks from 6% to 3%. It is not the only industry whose share is cut in half, the utilities category falls from 2% to 1%. In addition, government's share of total output declines from 14% to 9% and transportation goes from 3% to 2%. Just a single sector remains unchanged over three decades. The construction sector's output share holds steady at 6%.

Industry Shares of Idaho GSP



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General Fund Update

As of May 31, 2007

Revenue Source	\$ Millions		
	FY07 Executive Estimate³	DFM Predicted to Date	Actual Accrued to Date
Individual Income Tax	1,273.6	1,201.8	1,310.4
Corporate Income Tax	208.2	178.4	161.5
Sales Tax	1,084.7	983.6	975.8
Product Taxes ¹	22.2	20.6	20.6
Miscellaneous	117.6	66.1	67.4
TOTAL GENERAL FUND²	2,706.3	2,450.6	2,535.6

¹ Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
² May not total due to rounding
³ Revised Estimate as of January 2007

General Fund revenue exceeded expectations for the third consecutive month in May, coming in \$10.3 million higher than expected. This brings the fiscal year-to-date excess to \$85.1 million with one month left in the fiscal year. May's excess was dominated by the individual income tax, which came in \$14.3 million higher than expected. This strength offsets modest weakness in the corporate income tax, sales tax, and miscellaneous revenue.

The individual income tax continued to lead the General Fund revenue situation, with \$14.3 million more revenue than expected in May bringing the fiscal year-to-date excess to \$108.6 million. This more than offset weakness of \$16.9 million in the corporate income tax and \$7.8 million in the sales tax. Filing collections are the primary source of the individual income tax strength, with \$83.9 million more than expected on a year-to-date basis. \$80.4 million of

this amount came in April. Prior to that, this component of the individual income tax was tracking very close to expectations, and May filing collections were essentially on target. Withholding collections are \$29.6 million ahead of expectations for the fiscal year to date, with half of this excess coming in the month of January. May's excess of \$2.7 million in withholding collections is on the low end of the \$3 million to \$4.3 million in excess withholding received each month since January. Filing refunds are \$5.5 million ahead of expectations as of the end of May, with May itself coming in \$11.1 million lower than expected.

Corporate income tax revenue continued to slide below expectations in May, coming in \$0.6 million below the target for the month. This takes the fiscal year-to-date collections to a level \$16.9 million below the predicted amount. The

year-to-date corporate weakness is spread across both filing collections (down \$13.7 million) and estimated payments (down \$23.1 million), with a significant offset coming from refunds (\$13.5 million lower than expected).

Sales tax collections were \$2.0 million lower than expected in May, making it the fifth of the last seven months that sales tax underperformed expectations. This revenue category is now \$7.8 million lower than expected for the fiscal year to date.

Product taxes continue to track on target, while miscellaneous revenue was down \$1.5 million in May based on technical factors related to the administration of unclaimed property. Essentially, unclaimed property revenue received earlier in the fiscal year (from Idaho companies) was sent out in May under reciprocity agreements with other states.